



Benefits from the U.S.-Korea Trade Agreement

Alaska

December 2010

The U.S.-Korea Trade Agreement (KORUS) Will Help Grow the U.S. Economy & Support U.S. Jobs

The impact of the eliminations of tariffs and related barriers is estimated to increase U.S. GDP by nearly \$12 billion and U.S. goods exports by nearly \$11 billion annually. Adding to this would be new exports of U.S. services, where U.S. firms exported \$12.6 billion to Korea in 2009. Together, these export opportunities support the President's National Export Initiative goal of doubling exports by 2015.

KORUS is Essential to Ensuring U.S. Competitiveness in Korea and Throughout Asia

Ten years ago, the United States was the top exporter to Korea providing one-fifth of all Korean imports; now we are in third place with less than 10% market share.

- U.S. exporters to Korea currently pay an average 6.2 percent tariff, or nearly \$1.3 billion a year, to Korea through tariffs on industrial goods.
- Korean exporters to the United States currently face an average 2.8 percent tariff.
- On the first day of the European Union (EU) - Korea FTA, 85% of Korean tariffs on EU products will go to zero.
- Chinese products in Korea benefit from lower transportation and labor costs.

Implementing KORUS can help U.S. businesses and their workers stem this downward slide by making U.S. products more competitive in the Korean market.

- Tariff elimination for over 95 percent of U.S. exports of consumer and industrial products within five years.
- Tariff elimination for nearly two-thirds of U.S. agricultural exports immediately on entry into force.
- Significant new market access for U.S. service suppliers.
- Extensive elimination of non-tariff barriers, including in the autos sector.
- Tariff eliminations and strong transparency obligations will facilitate SME exports.

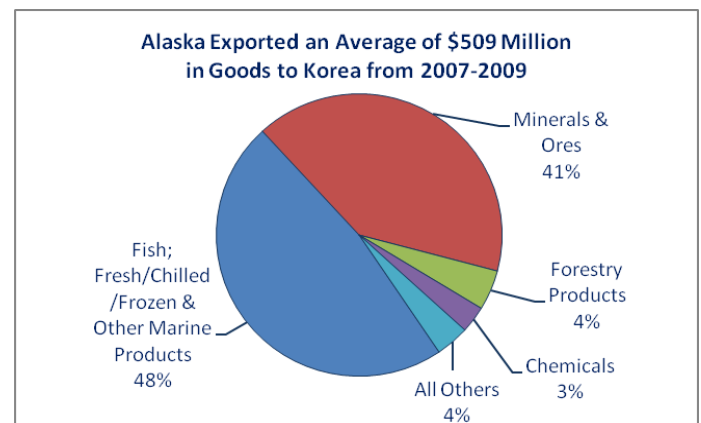
Alaska Depends on World Markets

Alaska's export shipments of merchandise in 2009 totaled \$3.3 billion.

- Exports of manufactured goods support an estimated 5000 jobs in Alaska. (2008 data are the latest available.)
- About 7.6 percent of all manufacturing workers in Alaska depend on exports for their jobs.
- A total of 342 companies exported goods from Alaska locations in 2008.
- 260 (or 76 percent) of Alaska exporting firms were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated more than half (51 percent) of Alaska's total exports of merchandise in 2008.

Trade Works for Alaska

Recently implemented trade agreements have benefited Alaska. Since the U.S.-Chile trade agreement entry into force in 2004, Alaska's exports to Chile have grown by 218 percent. Exports to Singapore have increased over 1,300 percent since the U.S.-Singapore trade agreement took effect in 2004. The KORUS can similarly benefit Alaska.



Source: U.S. Department of Commerce, International Trade Administration

KORUS Opens New Markets for Key Alaska Exports

Chemicals Manufactures – Alaska businesses exported on average \$16 million per year in chemicals to Korea between 2007 and 2009. U.S. exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizers, inorganic chemicals, organic chemicals, plastics, and agro-chemicals, will benefit from KORUS tariff reductions. Fifty-one percent of U.S. chemicals exports by value will receive duty-free treatment immediately upon entry into force of the agreement, with the remaining tariffs phased out within 10 years. Tariffs on high-trade U.S. products such as silicon and certain plastics articles will be eliminated immediately upon implementation of the Agreement. Current Korean chemicals tariffs average 6 percent and can be as high as 50 percent.

Petroleum and Coal Products – Petroleum and coal products accounted for \$2.6 million of Alaska's merchandise exports to Korea on average from 2007 to 2009. KORUS will eliminate duties on key products including liquefied propane and liquefied natural gas.

Processed Foods – Alaska exported \$14 million in processed food products to Korea on average from 2007 to 2009. KORUS, when implemented, will stimulate new opportunities for Alaska businesses in this sector. Korea is a growing market for consumer-oriented foods, creating new opportunities for U.S. exports of snack foods, cheese, and juices. KORUS will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Korea. Many processed food products will receive immediate duty-free treatment such as frozen french fries and all other processed food tariffs will be eliminated in five years or less.

KORUS Creates Opportunities for Alaska's Agriculture

Alaska's agricultural exports to all countries, estimated at \$4.9 million in 2009, supported jobs both on and off the farm. These export sales make an important contribution to the Alaska farm economy, which had total cash receipts of \$32 million in 2009. KORUS eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Alaska's agricultural products, including beef and dairy. With immediate elimination of duties on nearly two-thirds of U.S. agricultural exports to Korea, KORUS gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected.

For more information on agricultural exports and KORUS, see the fact sheets posted by the U.S. Department of Agriculture at: <http://www.fas.usda.gov/itp/us-koreata.asp>

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to state based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: Bureau of the Census, U.S. Department of Commerce, Origin of Movement Series; U.S. Department of Agriculture.

Prepared by the U.S. Department of Commerce, International Trade Administration.